Nova Scotia

ANNUAL REPORT

for the fiscal year
ending March 31, 2000

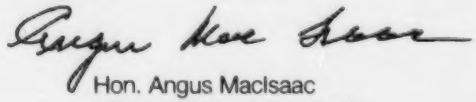
Alcohol and Gaming Authority

To Her Honour
The Honourable Myra A. Freeman
Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2000.

Yours very truly,



Hon. Angus MacIsaac
Minister Responsible for the
Administration of Part II of
the Gaming Control Act

101-01273/

The Honourable Angus MacIsaac
Minister Responsible for the
Administration of Part II of
the Gaming Control Act

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 2000. The Report reflects all activities of the Alcohol and Gaming Authority including gaming, liquor and theatre and amusement activities.

Yours very truly,

Dennis W. Kerr
Executive Director/CEO
Alcohol & Gaming Authority

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EXECUTIVE DIRECTOR'S REPORT

Once again, it is my pleasure to report on the activities of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2000. This year has been an exciting and challenging one for the Authority.

On the gaming front, the year ended with the substantial completion of the new permanent Halifax casino operated by Casinos Nova Scotia. Costing approximately $100 million, the casino represents one of the largest and most unusual construction projects in Halifax in recent years. A complex of this size placed increased responsibilities on the staff of the Authority in terms of registering of gaming and non-gaming related suppliers, security clearance of new employees, verifying new game win percentages, the transferring of liquor licenses to the new owners Park Place Entertainment group; all of which is done to ensure the honesty and integrity of casino gaming in Nova Scotia.

The Authority finished its implementation of a new integrated information system being more responsive to the licensing, regulatory and other needs of serving Nova Scotians. The emphasis placed on entering the year 2000, with trouble free computer access and information flow, proved to be a valid investment with a smooth entry into the new century.

The Authority's role in the alcohol beverage service industry continues with the maintenance of a licensing and compliance program distributed throughout the province. The goals of that program are to safeguard the policy that all licensed premises offer responsible service to patrons; to protect against minors gaining access to alcohol service or video lottery play; to ensure that liquor has been correctly purchased through the Nova Scotia Liquor Commission, thus ensuring that both public safety and taxation issues have been addressed; and to protect the best interests of the general public.

Compliance officers located throughout Nova Scotia are the front line of this program and work with all licensees on a co-operative basis to meet these objectives.

This year, the Film Classification Department witnessed a new technological advance in the process of film screening. For the first time, films arrived on digital video discs, or as known in the film industry, DVDs. While not a significant number of these were screened when compared to

the total number of movies and videos classified; it does however, indicate to us the future in distribution patterns for that industry.

The Authority has continued to place emphasis upon communication with industry stakeholders. Several newsletters were published to the alcohol beverage service industry, the amusements industry and others licensed to carry out charitable lotteries throughout the province. In addition, the first 'Help Directory' was compiled, published and distributed to various gaming venues for use by gaming participants who feel they could have an addiction problem. This directory features a listing of addiction counselors by county in all areas of the province. As well the Authority released its annual report on certain impacts of gaming in Nova Scotia.

Again this year, the Authority continues to be cognizant of the importance of the charitable volunteer sector in Nova Scotia, and the special challenges they face. One of our goals is to be as helpful as is possible, and to better assist them in their fund raising objectives. The charitable sector, through bingos, lotteries and other gaming venues, frequently raise the majority of their funds through licensed activities. Realizing this charitable pool of funds is restricted and limited to each local area, staff at the Authority make every effort to minimize the impact of one event taking patrons from another. Scheduling meetings around the varied schedules of the volunteer community is a priority as to a location and time most convenient to the volunteers. Communication also presents special challenges as the volunteer sector experiences ongoing change in their various executive groups. As a result, the Authority makes a special effort to maintain contact on a regular basis with the charitable groups to better assist them in maximizing their fund raising results.

The following report provides greater detail on the regulatory functions and activities of the Authority during the past year. As always, I welcome the input and comments from any of the many stakeholders of the Authority.

Dennis W. Kerr
Executive Director/CEO

ABOUT THE ALCOHOL AND GAMING AUTHORITY

Mandate

The Alcohol and Gaming Authority is the regulatory body charged with administering *Part II* of the *Gaming Control Act*, the *Liquor Control Act*, and the *Theatre and Amusements Act*. In broad terms, this means the AGA has the regulatory responsibility for the sale of liquor at licensed public premises; regulating the conduct of the Casinos, bingos, lotteries and other gaming venues; ensuring the public interest is protected; and regulating the safety and control of places of amusement.

The Authority's responsibilities include two broad mandates under Part II of the *Gaming Control Act*:

- The first is to license and regulate gaming activity in Nova Scotia (except those contained on Native Reserves) in a manner to ensure these activities are conducted with honesty and integrity, while considering the social and economic interests of Nova Scotians.

- The second is to study and report on certain aspects of gaming in Nova Scotia. The areas of study set forth in the Act include public interest and reaction to various forms of gaming; social, economic, health, justice, and environmental impacts of gaming; and the gaming laws and activities in other jurisdictions.

Under the *Liquor Control Act*, the Authority has the mandate to:

- license premises for the sale of liquor on the premises

- hold public hearings in order to receive public and community input into applicant's liquor licensing requests

- to monitor the sale of liquor in licensed premises through inspections

- to ensure licensees are in compliance with the Act and its regulations

- to ensure liquor served in public premises is properly purchased through the NS Liquor Commission and is therefore safe for public consumption and with tax correctly paid.

The Authority's mandate pursuant to the *Theatres and Amusements Act* includes film classification, licensing and regulation.

Film classification duties involve the viewing and subsequent classification of film products for use in Nova Scotia as well as other Maritime Provinces.

Licensing duties involve the licensing and regulation of theatres, places of amusement, and events where fees are charged to the public. Licenses are issued to arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, pari-mutuel machines, racetracks, theatres and video rental outlets.

Goals

The current Authority Action Plan includes the following broad strategic goals:

- to ensure that gaming activities are conducted with honesty and integrity
- to provide an ongoing review of gaming, liquor and amusement activities to ensure they are conducted in accordance with legislation and the public interest
- to maintain the professional and technical skills necessary to adequately monitor the complex and evolving gaming industry
- to provide open and accessible avenues of public and community input into the issuance of liquor licenses
- to provide an unbiased forum for hearing matters of complaints, violations under the legislation and other matters requiring judicial resolution
- to conduct continuous research and study into the public perceptions and impacts of gaming in Nova Scotia, and report that research, in accordance with its legislative mandate.

Organization

The Alcohol and Gaming Authority has been administered by a board consisting of a full-time Chair and six part-time Commissioners. In addition

to hearing responsibilities, the Chair and the Commissioners also sit on Finance, Administration, Research, and Policy sub-committees.

The Authority has a staff complement of 72 and operates from premises in Dartmouth, Halifax, and Sydney. Compliance staff are located throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of RCMP provides casino surveillance and security clearance services.

Members of the Board

The members of the Alcohol and Gaming Authority for the year ending March 31, 2000 were:

Elwin J. MacNeil, Q.C., Chair
G. Wayne Beaton, Q.C., Member
M. Patricia Connelly, Ph.D., Member
Louis A. d'Entremont, Member
William M. MacDonald, Member

Effective April 11, 2000, the Board of the Alcohol and Gaming Authority was dissolved and the adjudicative responsibilities of the Authority were transferred to the Nova Scotia Utility and Review Board.

CORE FUNCTIONS

Licensing

Pursuant to the various acts, the Licensing Division issues licenses to operators of gaming, liquor and amusements activities in the province of Nova Scotia, and maintains a permanent public registry for same. This licensing includes:

- bingos, bingo suppliers
- ticket lotteries conducted by charities and religious organizations
- liquor establishments on a permanent and occasional basis
- video outlets, theatres, and places of amusement
- casino operators, staff, and suppliers

Investigation and Enforcement

The Investigation and Enforcement Division monitors and inspects the conduct of all licensees throughout the Province and investigates complaints of regulatory non-compliance.

Compliance officers are responsible for monitoring the regulatory compliance of more than 20,000 licensees and conducting compliance surveillance at the casinos. Compliance officer site visits are focused upon developing an understanding and compliance with the acts and their regulations.

Research

The Research and Communications Division conducts, manages and publishes research on public perceptions associated with gaming; the broad social, health, justice, environment and economic impacts of gaming; as well as monitors research conducted worldwide. Liquor, gaming, and amusement activity levels in the province are collected and stored in databases for analyses. Liquor, gaming, and amusement issues are analyzed and recommendations for improvements are made to the Board.

Judicial

Members of the Board conduct impartial public hearings on liquor applications throughout the Province. Following matters of complaints and the subsequent investigations, the Board may conduct impartial disciplinary hearings, thus providing an avenue of appeal to regulatory actions.

In addition, the Board hears applications for reinstatement from individuals who have participated in the Voluntary Exclusion program thereby excluding themselves from Nova Scotia casinos.

Film Classification

Film Classification provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

The purpose of film classification is not to provide an avenue of censorship, but to provide viewers with information on the content of films or videos prior to attendance or viewing, and to ensure the content does not violate the Criminal Code.

BOARD MEETINGS AND HEARINGS

The Authority's Board Members met on 98 days during the last fiscal year to consider gaming, liquor and amusement related matters.

The Authority convened 42 gaming panels, and held 12 monthly business meetings.

Disciplinary Hearings

During fiscal year, the Authority considered 17 disciplinary matters (2 gaming and 15 liquor/VLT related). Action taken ranged from official warnings to suspension of licensing privileges.

Public Hearings

The Board held 44 public hearings at the following locations throughout Nova Scotia, pursuant to the provisions of the *Liquor Control Act*:

Amherst, Annapolis Royal, Baddeck, Bedford, Black Rock, Canso, D'Escousse, Dartmouth, Hall's Harbour, Jordan Bay, Little Brook, Liverpool, Lockeport, Lower Sackville, Lunenburg, Maitland Bridge, Marble Mountain, Margaree Forks, Middleton, New Glasgow, New Waterford, Pictou, Port Maitland, Shelburne, Springhill, Stewartdale, Stewiacke, Sydney, Truro, Wolfville, Yarmouth

Other Matters (Liquor)

During the fiscal year, the Board also transferred 162, suspended 27, and expired 37 liquor licenses, which did not require public hearings.

RESEARCH SERVICES

The Authority's Communications and Research Division endeavours to stay atop of current industry wide research and media developments both in Nova Scotia and beyond. The results and the Authority's analysis of this research culminate in the annual report on gaming.

GAMING REGISTRATION APPLICATIONS

Casino Registrations	Halifax	Sydney	Total
Gaming Supplier			18
Non-Gaming Suppliers - Exemption			124
Non-Gaming Suppliers			55
Casino Employees	824	297	1121
Bingo Registrations			
Bingo Supplier			2
TOTAL			**1320**

To ensure honesty and integrity in all aspects of gaming, all casino suppliers and casino employees are subject to the security clearance process performed by the Authority. Different levels of security clearances are applied to gaming related suppliers and employees (i.e., suppliers of actual gambling equipment), as compared to non-gaming related (i.e., restaurant suppliers).

GAMING LICENSE APPLICATIONS/ISSUANCE

The following applications were approved and issued by the Alcohol and Gaming Authority during the fiscal year.

License Type	Series	Single
Bingo	498	227
Ticket Lottery	610	575
Permits		4504
Break-open		99
Games of Chance/Carnival		210
TOTAL	**1108**	**5615**

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular such events.

Single bingo and ticket lottery licenses are issued for individual events.

Games of chance and carnival licenses include ticket sales and contests for various forms of prizes.

LIQUOR LICENSE APPLICATIONS/ISSUANCE

The following liquor licenses were issued by Alcohol and Gaming Authority staff pursuant to the *Liquor Control Act*.

Liquor Licenses

License Type	Approved	Issued	Denied
Eating Establishment (Restricted)	4	3	0
Eating Establishment (Unrestricted)	48	56	0
Lounge	21	29	0
Beverage Room	5	1	1
Club	6	5	0
Cabaret	1	0	0
Special Premises	13	14	0
Catering	1	2	0
Military	0	0	0
TOTAL	**99**	**110**	**1**

Liquor license applications can be approved with certain conditional precedents prior to final issuance and site inspections. As a result of this, the number of licenses approved does not necessarily equal those issued.

Special Occasion Licenses

License Type	Issued
Class I	1329
Class II	4699
Class III	2042
TOTAL	**8070**

Special Occasion License Class I are for events of a private nature for invited guests only, where liquor is being given away.

Special Occasion License Class II Resale are for events of a private nature for invited guests only. Advertising of these events is not permitted.

Special Occasion License Class III shall be issued only to non-profit organizations for community fund-raising events and allows board-approved advertising. Class III licenses may be issued to athletic organizations on a limited basis.

FILM/VIDEO CLASSIFICATION RATINGS

Film/Video Permits

License Type	Video	35mm	DVD	Combined
General	124	9	4	137
Parental Guidance	343	42	2	387
Adult Accompaniment	403	124	1	528
Restricted	177	26	0	203
Explicit Material	761	0	0	761
Rejected	8	0	0	8
TOTAL	**1816**	**201**	**7**	**2024**

General (G): Considered to be suitable for all ages. There are no restrictions on viewing. The material does not contain elements that might be too intense or offensive for young viewers.

Parental Guidance (PG): All ages may attend. However, parents should know that the theme or content of the film may be more mature than in general films. It may be appropriate for those 12 years of age and over.

Adult Accompaniment (14): Considered to be suitable for those 14 years of age and older. Those under 14 must be escorted by an adult.

Restricted (18): Considered to be suitable for those 18 years of age or older. Those under 18 must be escorted by a parent or legal guardian.

Explicit Material (XXX): Access limited to those 18 years of age and older.

Exempt (E): Some types of videos are exempt from classification and will carry an E label. These videos have not been classified by the Board. They may include children's cartoons, travelogues, instructional videos, athletic events and cultural, industrial, religious or political material.

INSPECTION SERVICES

Liquor, gaming, and amusement inspections are regularly conducted throughout Nova Scotia by Alcohol and Gaming Authority compliance officers. A summary of their activities for the year follows:

Inspections

Inspections	**Total**
Liquor	32,599
Amusement	6,552
Gaming	
Bingo	551
Casino	10,184
Lottery (Tickets)	207
VLT	16,809
TOTAL	**66,902**

Complaints

Complaints Investigated	Total
Liquor	165
Amusement	10
Gaming	
Bingo	154
Casino	11
Lottery (VLT)	33
TOTAL	**373**

Special Investigations (Outside of scheduled inspections & complaints)

Special Investigations	**Total**
Liquor	103
Amusement/Theatre	9
Gaming	
Bingo	31
Casino	22
Lottery (VLT)	35
Lottery (Ticket)	10
TOTAL	**210**

Written Warnings Issued

Written Warnings Issued	**Total**
Liquor	41
Amusement/Theatre	1
Gaming	
Bingo	9
Casino	1
Lottery (VLT)	3
TOTAL	**55**

Seizures Made

Seizures Made	**Total**
Amusement/Theatre (Video)	39
TOTAL	**39**

To the Minister of Justice,
responsible for the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 2000 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2000, and the results of its operations for the year then ended in accordance with generally accepted accounting principles and as disclosed in Note 2.

Dartmouth, Nova Scotia Chartered Accountants

June 9, 2000

Grant Thornton

Nova Scotia Alcohol & Gaming Authority
Statement of Revenue and Expenditures

Year Ended March 31	2000	1999
Revenue		
Liquor license fees	**$ 7,341,315**	$ 7,163,700
Lottery licenses and fees	**1,910,981**	1,622,647
Casino fees	**482,156**	264,644
Amusement licenses	**120,970**	121,950
Amusement tax	**10,296**	21,954
Pari-mutuel tax	**1,374,467**	1,190,495
Film screening and distribution fees	**364,031**	331,612
	11,604,216	10,717,002
Administrative expenditures (Page 7)	**6,536,400**	6,986,259
Net revenue	**$ 5,067,816**	$ 3,730,743

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority
Balance Sheet

March 31	2000	1999
Assets		
Current		
Cash	**$ 600**	$ 76,327
Receivables (Note 3)	**1,355,001**	1,344,759
	$ 1,355,601	$ 1,421,086
Liabilities		
Current		
Payables and accruals	**$ 619,399**	$ 47,490
Deferred revenue	**7,320**	7,700
Current portion of lease obligation	**206,822**	187,534
	833,541	242,724
Lease obligation (Note 4)	**72,001**	301,816
	905,542	544,540
Equity		
Due to Minister of Finance		
Balance, beginning of year	**876,546**	951,972
Net revenue	**5,067,816**	3,730,743
Remittances	**(5,494,303)**	(3,806,169)
Balance, end of year	**450,059**	876,546
	$ 1,355,601	$ 1,421,086

See accompanying notes to the financial statements.

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues are derived from the sale and renewal of licenses and registration fees and collection of taxes.

2. Significant accounting policies

Revenue

License sales and renewals are recorded as revenue in the period received.

Amusement prize taxes are recorded as revenue based on reports prepared and submitted by the licensee.

Tangible Capital Assets

Effective April 1, 1999, the Province of Nova Scotia implemented a tangible capital asset policy. The policy requires the Province, all departments and all public sector votes to record and amortize tangible capital assets on its financial statements.

The policy defines the specific classes of tangible capital assets to be recognized and the individual asset cost thresholds to be considered.

The classes of tangible capital assets relevant to the operations of the Authority are as follows:

	Amortization Method and Rate	Cost Capitalization Threshold
Computer hardware	30%, declining balance	$ 25,000
Computer software	50%, declining balance	$ 250,000

The policy is to be implemented on a retroactive basis where the necessary asset information is reasonably determinable. Management of the Authority determined that all expenditures of a capital nature prior to the current year would not significantly exceed the thresholds for capitalization detailed in the policy, and that the cost information in most cases would not be reasonably determinable. Therefore, no retroactive adjustment has been made to record or amortize tangible capital assets.

3. Receivables

	2000	1999
Amusement tax	**$ 482,076**	$ 153,256
Film screening fees	**88,146**	71,555
Gaming fees	**221,082**	92,953
Liquor license fees	**217,587**	130,440
Other	**162,208**	58,977
Pari-mutuel tax	**1,506,986**	2,120,087
	2,678,085	2,627,268
Less: Allowance for doubtful accounts	**1,323,084**	1,282,509
	$ 1,355,001	**$ 1,344,759**

4. Lease obligation

	2000	1999
Newcourt Financial Limited, thirty-six monthly blended payments of $18,769 to July, 2001, effective annual rate of interest of 9.83%.	**$ 278,823**	$ 489,350
Less: current portion	**206,822**	187,534
	$ 72,001	$ 301,816

Minimum principal payments required in each of the next two years are as follows:

2001	$ 206,822
2002	$ 72,001

5. Related party transactions

The Authority purchases certain services from other departments of the Province of Nova Scotia on a fee for service basis, including but not limited to:

- leaseholds and related maintenance;
- human resource management;
- payroll processing, including pensions and benefits administration;
- accounting technology systems and processing;
- communication technology systems and network access.

6. Subsequent event

On June 9, 2000, the legislature of the Province of Nova Scotia enacted the Financial Measures (2000) Act. This Act revokes the appointment of the Chair, Vice-Chair, and all other members of the Board of the Authority, effective April 12, 2000. The adjudicative responsibilities of the Authority will be assumed by the Utility and Review Board and other departments of the Province of Nova Scotia

7. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

Nova Scotia Alcohol & Gaming Authority
Schedule of Administrative Expenditures

March 31, 2000	2000	1999
Advertising and promotion	$ 47,862	$ 31,776
Bad debts	40,575	173,737
Computer processing	63,883	67,977
Equipment	42,805	654,406
Equipment leasing	20,273	21,352
Freight and duty	7,113	6,626
Interest on lease obligation	37,695	21,554
Meetings	14,451	6,188
Office	30,522	28,954
Other	14,343	24,199
Postage	27,424	36,111
Printing and stationery	84,496	94,700
Professional fees	435,125	509,572
Relocation	—	(3,232)
Rent	280,469	273,788
Repairs and maintenance	880	1,438
Security services	1,003,000	805,200
Telephone	121,119	158,067
Travel	431,604	425,163
Training and development	16,009	23,766
Wages and benefits	3,816,752	3,624,917
	$ 6,536,400	$ 6,986,259